

Message Text

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PAGE 01 STATE 178348
ORIGIN SS-15

INFO OCT-01 EUR-12 EA-10 EB-08 ISO-00 TRSE-00 AID-05
NSC-05 /056 R

DRAFTED BY E:JWILSON:BCL
APPROVED BY EA:EHHEGINBOTHAM
EA/J:HACOCHRAN
DESIRED DISTRIBUTION
E, EA, EB, TREASURY, AID, NSC
-----037698 150621Z /10
P R 142309Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY BONN PRIORITY
INFO AMEMBASSY TOKYO

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FOR UNDERSECRETARY COOPER AND DAS HORMATS

E.O. 11652:N/A

TAGS:EFIN, JA,

SUBJECT: JAPANESE COMMITMENT TO DOUBLE ODA

1. TABLE BELOW SHOWS RESULTS OF CALCULATIONS WE HAVE MADE
ON VARIOUS OUTCOMES OF JAPANESE COMMITMENT TO DOUBLE ODA
WITHIN THREE YEARS. OUR CURRENT ASSUMPTION IS THAT THE
TARGET YEAR WILL BE 1980, IRRESPECTIVE OF WHETHER THE BASE
YEAR IS 1976 OR 1977.

2. TABLE 1 BELOW GIVES 1976 AND 1977 JAPANESE ODA IN YEN
AND DOLLAR TERMS, THE AVERAGE EXCHANGE RATES IN THOSE
YEARS, AND THE IMPLIED OUTCOME IN 1980 IF ODA WERE
SUCCESSFULLY DOUBLED BY THEN.

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TABLE 1 JAPANESE ODA

1976	1977	1980
	YEN	\$

76 BASE 77 BASE 76 BASE 77 BASE

YEN (BILLS.) 327 382 654 764

\$ (MILLS.) 1105 1424 2210 2848

EXCHANGE RATE 296 268

3. IF JAPANESE ODA COMMITMENT IN 1980 IS INTERPRETED AS BASED ON DOLLAR-DEMONINATED PERFORMANCE IN THE PAST, CONVERTING TO YEN DEPENDS ON THE 1980 EXCHANGE RATE ASSUMPTION. TABLE 2 BELOW SHOWS POSSIBLE OUTCOMES FOR EXCHANGE-RATE ALTERNATIVES RANGES FROM 220 \$1 TO 160 1. ALSO SHOWN ARE THE RESULTING PERCENTAGE CHANGES FROM THE 1976 AND 1977 PERFORMANCE IN YEN TERMS.

TABLE 2: JAPANESE ODA IN 1980 IN YEN TERMS.

(BILLIONS)

EXCHANGE RATE 1976 DOLLAR BASE 1977 DOLLAR BASE

LEVEL CHANGES LEVEL CHANGES

220 486 49 627 64

200 442 35 570 49

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180 398 22 512 34

L60 354 8 456 19

4. JAPANESE ODA AS PERCENT OF GNP. 1977 ODA/GNP RATIO WAS 0.21 PERCENT, BELOW THE US RATIO (0.22) AND FAR BELOW THE DAC AVERAGE. JAPANESE ARE REPORTEDLY TARGETING RATIO OF 0.32 BY 1982. USING TRENDS IMPLIED BY DATA IN THE ABOVE TABLES, THERE WOULD BE LITTLE CHANCE OF REACHING THIS FIGURE IF 1977 DOLLAR-BASE IS EMPLOYED, AS CURRENTLY APPEARS TO BE INTENDED. 1980 NORMAL GNP CAN BE CRUDELY ESTIMATED AT 244.4 TRILLION, A FIGURE DERIVED BY PROJECTING FORWARD THE CY 1977 LEVEL OF 183.6 TRILLION AT A 10 PERCENT ANNUAL RATE. THIS PROVIDES A DEMONINATOR AGAINST WHICH YEN DEMONINATED AID LEVELS FROM TABLES 1 AND 2 CAN BE COMPARED. RESULTS ARE SHOWN IN TABLE 3 BELOW.

TABLE 3: JAPANESE ODA AS PERCENT OF ESTIMATED 1980 GNP

BASE/EXCHANGE RATE YEN-ODA,1980 ODA/GNP ()

(BILLIONS)

YEN BASE 764 0.31

\$ BASE

220	627	0.26
200	570	0.23
180	512	0.21
160	456	0.19

1977 DOLLAR BASE USED FOR DOUBLING

5. AS TABLES 1 AND 2 SHOW, ON ANY REASONABLE EXCHANGE RATE ASSUMPTIONS, DOUBLING JAPANESE ODA IN DOLLAR TERMS LEADS TO A RESULT WHICH FALLS FAR SHORT OF A DOUBLING IN YEN TERMS. THE GREATER THE YEN APPRECIATION BETWEEN NOW LIMITED OFFICIAL USE

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AND 1980, THE MORE SERIOUS THIS SHORTFALL BECOMES. ANALAGOUS CONCLUSIONS HOLD FOR JAPANESE TARGETS IN TERMS OF ODA/GNP. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE RATES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE178348
Document Source: CORE
Document Unique ID: 00
Drafter: JWILSON:BCL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780290-0558
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780758/aaaabwuc.tel
Line Count: 139
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2be10773-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2000957
Secure: OPEN
Status: NATIVE
Subject: JAPANESE COMMITMENT TO DOUBLE ODA
TAGS: EFIN, JA, US
To: BONN
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2be10773-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014